

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Promoting Telehealth and)	WC Docket No. 17-310
Telemedicine in Rural America)	

Comments of Arctic Slope Telephone Association Cooperative, Inc.

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Summary

The Commission should deny GCI's Application for Review to the extent that it requests that the Commission overturn the Bureau Decision and accept GCI's rural rate justifications. Rather than accepting GCI's rural rates, the Commission should conduct a full and open proceeding to establish the rural rate methodology to be applied for setting the rural rates that GCI and other providers in Alaska can use in the support calculation for projects awarded under the Rural Health Care program. As part of that proceeding, the Commission should make available the Bureau methodology and inputs so that interested parties can fully comment. Even without visibility into the methodology and inputs, however, it is apparent that some of the rates are excessive and must be revisited, particularly in light of competitive middle-mile transport services now provided over the Quintillion subsea cable system.

Contrary to GCI's claims, the market for terrestrial middle mile transport has not been competitive in Alaska and this has allowed GCI to use USF programs, such as RHC and E-rate, to subsidize grossly inflated pricing of its terrestrial transport network to foreclose meaningful competition in Alaska, and to recover excessive support from such USF programs. Because of its monopoly control of terrestrial middle mile transport over its TERRA network, GCI has offered service in many markets as a monopoly provider.

Beginning in December 2017, however, competitive terrestrial transport in certain markets over the Quintillion subsea cable network will lower rates to consumers and the amount of support required under the RHC. The Commission should ensure that the costs and methodology for establishing rural rates reflects these lower transport costs and should ensure that providers do not use USF programs, including the RHC, to foreclose competition.

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Arctic Slope Telephone Association Cooperative, Inc. (“ASTAC”), by its attorneys, and in response to the Federal Communications Commission (“FCC” or “Commission”) Wireline Competition Bureau (“Bureau”) Public Notice¹ hereby comments on the GCI Communication Corp. (“GCI”) Application for Review (“AFR”)² of a decision³ by the Bureau establishing cost-based rural rates for certain Funding Year 2017 (“FY 2017”) requests for support for services GCI provided to health care providers pursuant to the Telecom Program under the Universal Service Rural Health Care (“RHC”) program. As discussed herein, the Commission should deny the AFR to the extent that it requests that the Commission overturn the Bureau’s Decision and accept GCI’s RHC rate justifications. The Commission, however, should not merely affirm the Bureau’s Decision, but instead should conduct a full and open rate proceeding for the purpose of establishing the rate setting methodology, and thereby the rural rates, that GCI may charge for RHC projects in FY 2017 and future years. Although

¹ Public Notice, *Wireline Competition Bureau Seeks Comment On GCI Application For Review*, WC Docket No. 17-310, DA 19-8 (rel. Jan. 2, 2019).

² *Promoting Telehealth and Telemedicine in Rural America*, GCI Communication Corp. Application for Review, WC Docket No. 17-310 (Nov. 9, 2018).

³ Letter to John T. Nakahata and Jennifer P. Bagg, Harris, Wilshire, and Grannis, LLP, counsel for GCI, from Elizabeth Drogula, Deputy Chief, Telecommunications Access Policy Division, Wireline Competition Bureau, FCC (Oct. 10, 2018) (“Bureau Decision” or “Decision”).

ASTAC does not have visibility into the methodology and cost inputs utilized by the Bureau, it is clear (at least in some markets) that the resulting rural rates are excessive. If, for whatever reason (procedural or otherwise), the Commission accepts GCI's rate justifications for FY 2017, the Commission still should conduct a full and open rate proceeding to establish the rate setting methodology going forward.

There is limited visibility into what concern prompted further review by the Universal Service Administrative Company ("USAC") regarding the FY 2017 RHC funding awards to GCI; what concern necessitated inquiry by the Bureau into the rural rates that GCI was charging as part of the RHC funding equation; what information was included in the documentation that GCI provided in support of the rural rates that it claims are justified; and finally what methodology the Bureau applied in setting the rural rates that GCI could use for determining the amount of RHC support for the FY 2017 projects. That limited visibility makes it difficult for ASTAC and other interested parties to comment fully in this matter, but what is clear is the need for the Commission, or the Bureau if directed by the Commission, to conduct a full and open rate proceeding for the purpose of establishing the rate setting methodology, and thereby the rural rates, that GCI may charge for RHC projects in FY 2017 and future years. It is especially critical that the Commission address the methodology and rates to be used going forward in light of the recent introduction of competitive terrestrial/subsea-based middle mile transport provided over the Quintillion network.

Contrary to GCI's claims, GCI's middle mile transport has not been and is not competitively priced. GCI has used Universal Service Fund ("USF") programs, such as RHC and E-rate support, to subsidize grossly inflated pricing of its terrestrial IXC/transport network to foreclose meaningful competition in Alaska, and to recover excessive support

from such USF programs.⁴ In order to prevent further harm to the competitive market for broadband services in the most rural parts of Alaska, and to safeguard the future availability of USF monies for RHC support, the Commission must take further action to set rural rates that are justified through a full and open rate setting proceeding.

Based on the limited public information about GCI's rural rate claims, combined with ASTAC's first-hand knowledge of the middle mile market in Alaska, and of GCI's grossly inflated pricing of its TERRA network, it appears that the Bureau correctly concluded that GCI failed to demonstrate that the rural rates it charges for RHC projects are justified under

⁴ In comments submitted by Alaska Communication Systems ("ACS") in 2014 in response to an National Telecommunications and Information Administration ("NTIA") Notice of Inquiry to assess telecommunications in the arctic region of Alaska, ACS discussed the \$88 million grant that GCI's subsidiary, United Utilities, Inc., received pursuant to the federal Broadband Infrastructure Program ("BIP") to construct the TERRA network, and how GCI's affiliates have used that monopoly transport facility to charge excessive rates, even while offering affordable residential broadband services. ACS explained:

GCI forecloses any broadband competition by refusing to make sufficient wholesale capacity available at affordable rates to potential competitors, and its wholesale rates even for limited amounts of transport capacity on TERRA-SW are several multiples of what satellite-based transport would cost. Based on the affordable retail residential broadband rates offered by its affiliates, such wholesale rates are clearly far higher than GCI apparently imputes to its own affiliates offering residential retail broadband services – a classic price squeeze.

Notice of Inquiry – Telecommunications Assessment for the Arctic Region, Comments of Alaska Communications Systems, Docket No. 140925800-4800-01, at 7 (Dec. 3, 2014) ("ACS Comments to NTIA"). ACS also added:

GCI charges inflated rates for services to schools, libraries, and rural health care providers, which can, in turn, pass those inflated costs on to the federal E-rate and RHC support mechanisms. GCI has often explained that it is a necessary and intended part of its business plan to use these inflated support payments to finance the expansion of its monopoly transport network to new areas of the state, thereby further increasing its profits.

Id. at 7-8.

FCC Rule Section 54.607(a), and that Commission approval was necessary under FCC Rule Section 54.607(b) to establish cost-based rates for the interstate services offered by GCI to health care providers under the RHC program. The FCC's rules contemplate rate setting for the rural rate under the RHC program, and GCI's apparent failure to justify the rural rate under 54.607(a) for its RHC awards necessitates retroactive rate setting.⁵ Accordingly, the Commission should deny the AFR to the extent that it requests that the Commission overturn the Bureau Decision and accept the funding requests as submitted.

ASTAC is concerned, however, that the methodology and inputs utilized by the Bureau do not reflect competitive pricing of service (at least in some markets), and are excessive, and should not be used going forward. ASTAC and other interested parties must have access to the materials submitted and used by GCI and the Bureau in order to fully evaluate and comment in this proceeding, as well as to understand the purported methodology for carriers to justify their rural rates for future RHP projects.

I. Introduction

ASTAC is a member-owned telephone utility cooperative providing competitive wireless voice and broadband services to the North Slope region of Alaska, an area of more than 90,000 square miles, but yet only about two percent of Alaska communities. Indeed, ASTAC's service area encompasses some of the most remote parts of the United States and arctic Alaska, like the town of Point Hope with approximately 700 residents living on a small gravel spit of land, surrounded by icy seas along the northwest coast of Alaska, about 700

⁵ Looking back to set the rural rate that GCI should have used for the RHC projects for which it was awarded RHC funding is not retroactive rate setting in the same sense, however, as revising a tariffed rate that had been approved or allowed to go into effect. The Bureau Decision indicates that the rural rate had not been justified according to Commission Rules. Retroactive rate setting in this case is a correction for GCI's apparent failure to comply with the Commission Rules for justifying the rural rate that could be used for RHC projects.

miles from Anchorage and more than 3,700 miles from New York City.⁶ Getting there requires two flights on different airlines because there are no roads.⁷

Eight of the North Slope communities served by ASTAC are locations where GCI was awarded RHC support. As a provider of service to these remote areas of Alaska, ASTAC is intimately familiar with the obstacles that rural health care providers, schools and libraries, and other commercial customers, not to mention residential customers, face when it comes to obtaining affordable, advanced services, and ASTAC is uniquely qualified to offer input on the solutions to these problems.

II. The Commission Should Deny GCI's Application for Review to the Extent That It Requests the Commission Overturn the Bureau Decision and Accept GCI's Rural Health Care Rate Justifications, and the Commission Should Conduct a Full and Open Rural Rate Proceeding for GCI's Rural Health Care Projects.

It is not overtly clear what relief GCI is seeking in its AFR, but GCI seems to be requesting that the Commission overturn the Bureau Decision for multiple reasons, and that the Commission allow USAC to disburse RHC funding to GCI for FY 2017 based on the rural rate documentation that GCI has submitted. To the extent that is the relief requested by GCI, ASTAC urges the Commission to deny the AFR for the reasons set forth herein. In addition to denying the AFR, ASTAC urges the Commission to conduct a full and open rural rate proceeding to establish the rural rate methodology that should be applied to GCI's RHC projects in Alaska, and potentially to RHC projects awarded to other providers in Alaska, as well as to evaluate GCI's inputs to that methodology.

⁶ See Kang, Cecilia. "Melting Arctic Ice Makes High-Speed Internet a Reality in a Remote Town." The New York Times (Dec. 2, 2017) ("Melting Arctic Ice").

⁷ See *id.*

A. The Commission Should Make Public the Methodology Used for Setting the Rural Rate Applied to GCI's RHC Support Awards and Provide Access to GCI's Confidential Documents Submitted in Support of the Rural Rate, But Even Without Access to This Information, It Is Apparent That Certain of the Bureau's Established Rates Are Excessive.

Without visibility into the Bureau's methodology for setting the rural rate or GCI's confidential documents, ASTAC and other interested parties cannot fully comment on the AFR, the Bureau's Decision, or the RHC rates established therein. ASTAC cannot respond fully to GCI claims that the Bureau Decision was flawed or to GCI claims about the validity of the cost studies submitted by GCI or those prepared by the Bureau because the methodology and inputs are not available. At this point, ASTAC also reserves comment on GCI's arguments that the Bureau violated administrative law principles requiring reasoned decision-making because the Bureau's reasoning behind the Decision, in the form of the methodology and the consideration of the inputs, is not available.

In order to afford interested parties a meaningful opportunity to comment, and for the Commission to engage in reasoned and informed decision-making, the Commission must make public the methodology used for setting the rural rates and provide access to GCI's confidential documents submitted in support of the rural rates. This could be done pursuant to a protective order.

Even without access to the Bureau's methodology or GCI's confidential documents, however, ASTAC is familiar with GCI's anti-competitive and grossly inflated pricing for its terrestrial broadband middle mile services offered through TERRA. Therefore ASTAC is concerned that any use of the underlying costs that GCI alleges support TERRA pricing, particularly without public review, has resulted in rural rates set by the Bureau for the FY 2017 RHC projects that are still excessive. Again, ASTAC does not know the exact inputs

that the Bureau used to calculate the rural rates, but as discussed herein, ASTAC is aware of available comparable middle mile transport services offered at significantly lower rates in numerous areas where GCI was awarded RHC projects. On this basis, it is clear that failure to consider the comparable and lower priced middle mile transport services for rural rates used for RHC projects in FY 2018 and beyond will result in rural rates that are still far too high, at least in certain areas, if they are based on the use of GCI's non-efficient costs. The Commission must afford interested parties the opportunity to review and comment on the methodology and appropriate cost inputs.

ASTAC agrees with GCI that the Bureau Decision, without more detail and explanation about the rural rate methodology, fails to provide adequate guidance to establish going-forward rural rates. ASTAC and other potential RHC bidders need to know and have input on the methodology that would be applied to rural rate setting in Alaska for future RHC projects. The Commission must focus on fixing the problem created by unsupported rural rates and lack of clear direction on how to set rural rates in markets where there is no competition or where there is limited competition. The solution in this case, however, is not to accept GCI's purported rate justifications, which are based on grossly inflated, monopoly-based middle mile transport rates/costs for FY 2017 RHC projects, and which, at least in certain markets would result in grossly inflated rural rates for RHC projects in FY 2018 and beyond.

B. The Commission Should Reject GCI's Argument that Competitive Forces Underlie GCI's Rural Health Care Rate Justifications Because Until Recently, Middle Mile Transport Service in Alaska Has Not Been Competitive in the Markets Where GCI Provides Service Over the TERRA Network.

In the AFR, GCI generally argues that the Bureau erred in adopting a cost-based methodology and rates rather than rates established through competitive bidding in what GCI claims is a “competitive” market.⁸ As explained herein, however, the markets served by GCI's TERRA network were not competitive in 2017 or in prior years, and GCI has offered middle mile transport at grossly excessive monopoly rates and recovered grossly excessive RHC support. In at least six markets where GCI was awarded funding for RHC projects there is now true competition for the middle mile transport provided by GCI's TERRA network, but it is not clear that this competition is reflected in the rural rate methodology that the Bureau indicates should be used to determine the rural rates that GCI can use for RHC projects in FY 2018 and beyond. Accordingly the Commission should not accept GCI's argument that competitive forces underlie GCI's RHC rate justifications for FY 2017 RHC projects, and the Commission should re-evaluate the rural rate methodology based on the current state of middle mile market competition with regard to RHC projects in FY 2018 and beyond.

Alaska's geography – the vast distances between communities and the harsh terrain – presents the greatest challenge to the availability of middle mile services that are so critical for providing competitive broadband services to the isolated villages where most Alaskans live. Lowering the expense of broadband services in Alaska depends on competition. Today the available infrastructure for this middle mile transport segment falls in one of three

⁸ See AFR at 9-10, 15-16. Moreover, contrary to GCI's claims, competitive bidding under FCC Rule Section 54.603 does not drive the rural rate, but rather, an acceptable rural rate is based on that rate being justified pursuant to FCC Rule Section 54.607.

categories: (1) only satellite transport is available, (2) GCI's terrestrial fiber-optic and microwave network, TERRA, is available in "competition" with satellite transport, and (3) competitive terrestrially-based (including subsea cable) middle mile transport networks are available.

In areas where satellite is the only middle mile transport option, there are often multiple satellite providers, and there may or may not be competition between satellite providers for the middle mile transport service they offer. ASTAC reserves comment on competition and the rates established in markets in which there is no terrestrial-based transport and only satellite transport is available.

In markets where both satellite and TERRA networks are available, satellite service does not meaningfully compete with TERRA for the middle mile transport segment because the quality and capabilities of the services provided over these two networks are so different, so much so that broadband Internet access service ("BIAS") offered over satellite cannot be considered a competitive service to BIAS offered over TERRA. Satellite transport is less reliable and less desirable than terrestrial transport. Capacity is limited; speeds are far slower, latency is higher, and costs are higher with satellite transport than with terrestrial transport. Satellite transport also is subject to other limiting factors, such as the impact of weather and usage limits.

In its AFR, GCI has defined the market too broadly when it argues that the BIAS market in Alaska is competitive with four to five underlying facilities-based providers;⁹ that its middle mile transport service is competitively priced;¹⁰ that there is no basis for departing

⁹ See AFR at 15.

¹⁰ See *id.* at 10.

from market-based recovery for TERRA services;¹¹ or that the Bureau Decision has ignored the proper functioning of a competitive market.¹² Satellite transport and terrestrial transport are not comparable middle mile networks. Likewise, BIAS provided over a satellite network is not a comparable or competitive service to the high speed, low latency, and reliability of BIAS provided over a terrestrial network like TERRA.

The reality is that, until recently, where GCI offered BIAS over TERRA for RHC FY 2017 projects, GCI provided that service as a monopoly. GCI had dominance in the BIAS market by virtue of its terrestrial middle mile network that was superior to satellite transport. Until December 2017, TERRA was the only terrestrial-based middle mile transport network that connected Alaska villages with Internet hubs, and therefore the terrestrial middle mile market was not a competitive interexchange (“IXC”) market in 2017. Until December 1, 2017, the end-to-end broadband service that GCI provided to health care providers over its TERRA network was a monopoly service.

Because there was no middle mile transport network that compared to and competed against GCI’s TERRA network in 2017, and because there do not appear to have been any commercial customers of the TERRA network in 2017, other than GCI’s own affiliate, GCI’s arguments about detariffed non-dominant IXC rates as they relate to the middle mile segment of the broadband service that GCI provided to health care providers is irrelevant for the purpose of determining what the rural rates should have been for RHC projects in FY 2017, and the Bureau’s Decision is not inconsistent with Commission precedent. GCI’s analysis of the Business Data Services Order and its protests that there is no reason to assume that

¹¹ See *id.* at 14.

¹² See *id.* at 16.

competition will fail just because a carrier has not sold a particular service to a commercial customer in a given rural area¹³ also are misplaced.

Because TERRA was the only terrestrial-based middle mile transport network available for the FY 2017 projects, and there was no alternative middle mile network that offered comparable capabilities, the rural rates that GCI set for the end-to-end broadband projects in markets where the transport segment of the BIAS services were offered over the TERRA network were the result of GCI's monopoly control over the middle mile market. In ACS's comments to NTIA regarding telecommunications in the arctic region of Alaska, ACS stressed:

NTIA should take great care not to repeat the federal policy failures of the Broadband Initiatives Program ('BIP'), which created an unregulated, federally-subsidized monopoly in portions of Alaska by allowing the owner of BIP-funded transport facilities [the TERRA network] to foreclose competition while charging exorbitant, inflated prices for services subsidized by the Federal Communications Commission's schools and libraries ('E-rate') and rural health care ('RHC') universal service support mechanisms.¹⁴

ASTAC agrees with ACS that GCI's middle mile monopoly, which was created out of federal funding, harms "competition and consumers, not only in Alaska, but also across the nation by creating ongoing waste of scarce universal service funds that should be put to more productive use."¹⁵

Not only were there no competitive alternatives to the TERRA network in 2017, but there was also not competitive access to the existing TERRA network. ASTAC is not aware of any competitive providers of broadband service that have purchased capacity on the TERRA network to provide broadband services. The TERRA rates are so excessively high

¹³ See *id.* at 12.

¹⁴ ACS Comments to NTIA at 2.

¹⁵ *Id.*

that a competitive broadband provider purchasing transport capacity on the TERRA network cannot recoup those costs in the broadband services it would offer to end user customers.

Moreover, GCI does not seem to have any available capacity for use by competitive providers. ASTAC can only assume that GCI did not produce any commercial contracts for end-to-end services similar to those offered to health care providers under the RHC program because the Bureau denied GCI's requests to set the rural rate based on Section 54.607(a), but it is not clear what the commercial contracts that it did produce for TERRA transport showed. An important question then is, who are the GCI customers that use the TERRA network?

Based on the AFR, health care providers participating in the RHC program and schools and libraries participating in the E-rate program purchase TERRA transport as part of the broadband services they acquire from GCI, and apparently it seems that the TERRA transport piece of the end-to-end services was priced separately. ASTAC also believes that GCI sells transport capacity on the TERRA network to GCI's own affiliates for the purpose of providing residential broadband services, but ASTAC is not aware of any other commercial customers that purchase capacity on the TERRA network.

If ASTAC and other competitive providers cannot afford to buy middle mile transport on the TERRA network at GCI's published rates because they cannot recover their costs in the BIAS rates charged to end user customers, how then can GCI's affiliates afford to purchase TERRA transport at the published rates and recover the costs for that transport in the end user rates for residential BIAS service? ASTAC believes that a fuller Commission review of GCI's costs for the TERRA network and the financial information of the GCI affiliates purchasing access on the TERRA network will demonstrate that GCI has used its monopoly control over the terrestrial middle mile market, combined with the inflated rural

rates that have been subsidized by government programs, including the RHC, E-rate, and BIP programs, to cross-subsidize GCI's affiliates providing residential BIAS over the TERRA network. While GCI affiliates may pay the public rate for TERRA transport, it is not apparent that the cost of that transport is reflected in the rates for residential BIAS that use the TERRA network. The availability of the TERRA network, combined with the ability to provide residential BIAS at a rate that does not recover the cost of TERRA transport, has enabled GCI, directly through its inflated TERRA rates and indirectly through its affiliates' lower than cost residential BIAS rates, to curtail competition for residential BIAS in the far-flung communities of Alaska.

Importantly, although there are now a few markets where there is comparable network from a middle mile competitor to GCI's TERRA network, GCI still has market dominance in the other markets TERRA serves. ASTAC urges the Commission to consider how GCI has used, and is still using, its market control over its terrestrial middle mile transport network, as well as RHC and E-rate funding, to curtail competition for higher-speed, lower-latency BIAS in the most rural parts of Alaska. The integrity and viability of the USF and the RHC program, as well as other USF programs, depend on documented justification of rural rates.

C. The Commission Must Re-Evaluate the Rural Rates for 2018, 2019, and Future Years in Certain Markets.

On December 15, 2017, the terrestrial middle mile market became competitive in certain markets served by GCI and ASTAC with the first phase of the multi-phase Quintillion subsea cable system having been put in service. In the first phase, Quintillion connected the communities of Nome, Kotzebue, Point Hope, Wainwright, and Barrow/Utqiagvik with a

1,200-mile submarine fiber optic cable main trunk line,¹⁶ which connect through Prudhoe Bay over Quintillion's new terrestrial fiber cable system to Fairbanks. In addition, the community of Nuiqsut is also connected to Quintillion's terrestrial fiber cable system in Prudhoe Bay via a microwave system similar to TERRA. At Fairbanks, Quintillion's fiber connects to existing networks to reach Internet exchange points in Portland and Seattle. Quintillion leases the bandwidth from its undersea cable network to telecommunications providers, including ASTAC and Alaska Communications, which then bring Internet service to the homes and businesses in these six communities. "The fiber network will bring connection speeds of 200 gigabits per second to the village[s], among the fastest rates in the country."¹⁷ Competition for the middle mile transport segment has arrived in the communities of Nome, Kotzebue, Point Hope, Wainwright, Barrow/Utqiagvik, and Nuiqsut, and Quintillion offers middle mile transport services at rates significantly less than the rates at which GCI offers TERRA. That fact must be reflected in the rural rate methodology and thereby the rural rates for the RHC projects that GCI has been awarded in these six communities for FY 2018 and beyond.

GCI has been awarded funding for RHC projects provided over its TERRA network in two markets, Nome and Kotzebue, which are now served by Quintillion. Quintillion is a comparable terrestrial middle mile competitor in these two markets, which are also served by ASTAC. GCI has been awarded funding for RHC projects provided over satellite transport in four markets, Point Hope, Wainwright, Barrow/Utqiagvik, and Nuiqsut, which are now served by Quintillion. Quintillion provides superior middle mile transport to the satellite transport

¹⁶ See Quintillion website, System, <http://qexpressnet.com/system/>. In the second phase Quintillion plans to extend the backbone cable from Nome all the way to Asia, with options for additional branches in Alaska. In the third phase Quintillion plans to extend the subsea system from Prudhoe Bay along the Lower Northwest Passage to Canada and then on to the United Kingdom. *See id.*

¹⁷ Melting Arctic Ice.

used by GCI in these four markets, which are also served by ASTAC. Quintillion's rates for bandwidth on its undersea cable network are in most cases more than 50% lower than GCI's tariffed TERRA rates and its publicly available satellite rates.

GCI's inputs to a rural rate methodology for RHC support in FY 2018 and beyond must be re-considered in light of competitive middle mile rates available in the Nome, Kotzebue, Point Hope, Wainwright, Barrow/Utqiagvik, and Nuiqsut markets. The public interest requires that rural rates be based on the best service available at the most competitive rate. ASTAC does not believe that the rural rates approved by the Bureau for the RHC projects in these six communities in the Appendix to the Bureau Decision can be justified for GCI's RHC FY 2018 projects, or for those in future years, after taking into consideration the competitive middle mile rates for comparable and superior middle mile transport offered by Quintillion. ASTAC urges the Commission to reopen the rural rate setting process for GCI's FY 2018 projects, and future projects, with a full and open proceeding so that competitive rates for the middle mile transport segment can be factored in determining an appropriate rural rate for the broadband services being provided by GCI to health care providers in these six communities, but also so that critical USF funds will be awarded in a manner that preserves the integrity of the RHC program and advances the Commission's broadband expansion goals. Equally important, the Commission must ensure that the use of RHC funding and other Commission-administered USF programs are not used to foreclose competition for broadband services. It is competition that will help preserve the USF, by ensuring that funds are only disbursed for the amounts truly needed for RHC projects in high cost areas.

III. Conclusion

Middle mile transport is a critical segment of a network for providing broadband services to residential customers, businesses, schools and libraries, and health care providers in the most rural and isolated communities of America's largest and least densely populated state. Competitive middle mile transport has the ability to breathe new life into the Nome, Kotzebue, Point Hope, Wainwright, Barrow/Utqiagvik, and Nuiqsut communities. With the advent of Quintillion's undersea cable system and the telecommunications providers that access its bandwidth, people living in these six communities are hopeful that higher speed and more affordable broadband access will transform their local economies, will provide greater access to educational resources, will help preserve native Alaskan culture, will help them stay connected with each other, and will help them receive access to medical care that compares in quality and price to larger communities in Alaska and the entire United States. This kind of progress is what the Commission strives for and what is possible because there is competition.

Competition must not be stymied, however, by distortion from funding from government programs, such as the RHC, which has been awarded based on the inflated rates of a provider that has had a monopoly hold on the middle mile transport market, and that has used such support to subsidize its networks.¹⁸

RHC funding must be awarded judiciously, and a judicious use of these funds requires that rural rates be justified under the Commission's Rule Section 54.607. With regard to RHC

¹⁸ In the *Promoting Telehealth in Rural America* docket, Alaska Communications commented that it "conservatively estimates that charges to USAC for terrestrial middle-mile capacity in some parts of Alaska make up as much as 99 percent of the cost of a broadband circuit to a rural health care provider, at rates that are approximately 25 percent higher than middle-mile rates on other rural routes in the state." *Promoting Telehealth in Rural America*, Comment of Alaska Communications, WC Docket No. 17-310, at 16 (Feb. 2, 2018).

funding to GCI for FY 2017, FY 2018, and beyond, the Commission must ensure that the rural rate is established in a full and open proceeding that allows public access to and comment on the rate methodology being considered and the relevant cost inputs. For the reasons set forth herein, the Commission should deny the AFR to the extent that GCI requests that the Commission overturn the Bureau's Decision and accept GCI's rural rate justifications and should reopen the rural rate setting process to establish the rural rates and RHC support to GCI, as well as the methodology applicable to other providers.

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